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ABSTRACT

This report discusses federal government support of day care services. Two alternatives are presented: (1) services designed, regulated and funded by a central agency, and (2) services provided through a free market industry in which decisions about regulations and care would be made by consumers, with only minimal central regulation. The market system is discussed at length and recommended because it provides maximum freedom of choice by parents, and enables the day care industry to evolve according to the needs of the children and parents it serves. Further recommendations include a key resources program (planning, technical assistance, start-up costs, facilities, etc.) to be implemented to help the market meet new demand without artificially raising prices and to insure entry into the day care market of a variety of providers. Legislation guidelines are presented: (1) a voucher system giving parents purchasing power for day care services to accompany the key resource program, and (2) a national research program in child development. (ST)

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CHILD CARE BULLETIN NO. 9

ALTERNATIVE FEDERAL DAY CARE STRATEGIES FOR THE 1970'S

(EXCERPTS FROM THE FINAL REPORT)

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Excerpts of a Report Prepared for:

The Office of Economic Opportunity

by

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INTRODUCTION TO THE CHILD CARE BULLETIN SERIES

Today, there is no longer a lack of materials on Day Care and Child Development. On the contrary, there is an impressive amount of materials now in print. Unfortunately, these publications are often inaccessible, or when they are available, they are frequently voluminous. Research and information retrieval then becomes an onerous task. There is absolutely no need to burden people who are involved in child care with difficulties of procuring inaccessible materials or with materials of unmanageable proportions.

There is a need for concise, readily available materials. These Bulletins are a response to that need. They synopsize a portion of the child care resources presently being developed and disseminated by the Day Care and Child Development Council of America, Inc., under Office of Economic Opportunity Grant No. C.G. 3614.

Each Bulletin, though developed independently, is closely interrelated with the others, by means of cross-references found in the text. The references to other Bulletins are provided with the intent of minimizing the built-in bias that is present in any study. We hope that this method will provide the reader with a truer perspective of current critical issues.

For the discriminating reader who requires more specific information, the complete, original publication from which this Bulletin was gleaned may be consulted in any of the following repositories:

- The fifty State Libraries
- The fifty State Offices of Economic Opportunity
- The ten Federal Regional Committee Headquarters
- The Library of Congress
- and the Day Care and Child Development Council of America, Inc., Library.

The perspectives and conclusions found in this Bulletin do not necessarily represent the policies of either the Office of Economic Opportunity/Office of Program Development or the Day Care and Child Development Council of America, Inc.

We wish to express our gratitude to the Council Board's Advisory Committee, Mrs. Mary Dublin Keyserling, Dr. Leonard Mestas, and Mrs. Gwen Morgan, for their guidance and review in the preparation of these bulletins.

THE EDITORS
November, 1971

ABSTRACT

Statement of Problem

Numerous factors influence the need for child care services throughout the country, among them: increasing numbers of working mothers, who are employed by choice or necessity; welfare (especially AFDC) costs are constantly increasing; and taxpayers feel that day care services may help current AFDC mothers to work. In addition, child care is seen as necessary if women are to be allowed to pursue lives as freely as can men (who rarely have to accept the responsibility for 24-hour care of small children).

There is also a growing interest in "child development services": Not only are more and more parents interested in giving their children "preschool" educational experiences, but there is a growing belief that such preschool education is an effecitve way to give "disadvantaged" children the same opportunities that average children enjoy.

The federal government has made several attempts to help meet facets of this demand, but the "industry" and the "technology'. of extra-parental child care are so new that many of these efforts are experimental. The question the federal government must answer is not just, "How should the federal government help to regulate and financially support child care? but rather "How much should the federal government try to do, for whom, and how?

See Statement of Principles (DHEW Publication No. (OCD) 72-10, DCCDCA Publication No. A-11), which proposes one answer to these questions: "... the U.S. Government has the public responsibility to provide day care services to any family desiring such services."

In response to this situation, we have isolated the major objectives the federal government could expect from its involvement in day care and child development services:

1. Decrease the immediate costs of welfare under current or proposed legislation.
2. Increase the net income of the poor.
3. Enable welfare recipients to participate in required work and training programs.
4. Improve the equality of children's opportunity (by enhancing the development of the disadvantaged child).
5. Enhance the equality of women.
6. Provide adequate day care to children of currently working parents.
7. Support the development of the most effective and efficient delivery system for day care and/or child development services.

The Airlie House Workshop on Day Care/Child Development, sponsored by OEO and the Office of Child Development, emphasized point four in this list of objectives: "The primary objective of day care is to meet the needs of children for experiences which will foster their development as human beings. The purpose is not just to free parents for other activity or to serve manpower requirements." See Statement of Principles, cited above.

The Existing Child Care System

Eighty-five percent of child care arrangements are informal. Most arrangements in the children's own homes, predominantly by relatives. Only 15% (about 1.3 million) of

arrangements for child care by working mothers are "formal" (either in a center or in a family day care home).

Care in the children's homes is also the arrangement the majority of mothers seem to prefer; the next largest preference is for center care, which is one of the least-used. Cost and convenience are prime factors in a mothers' choices of care arrangements but continued satisfaction is more dependent on their satisfaction with the quality of care.

Most current child care arrangements (72%) are free or very inexpensive. Roughtly $1.4 billion dollars are currently being spent for all child care in America. Of this, about $229 million are from federal funds; most of the remainder is paid by parents, at an average (for those who pay) of about $500 per year per child. The estimated annual cost of "custodial" care (providing food, supervision, and safety) is about $400. The estimated cost of center care offering some educational services is about $700; and the estimated cost of center care providing "child development services" (which include health, educational, social, and psychological services) is about $1,300 per child per year. However, the quality of the care that is being delivered for these costs has not been evaluated.

The Abt Study (Child Care Bulletin No. 3, Subject: "A Study in Child Care 1970-71"), which focused on exemplary child care programs, found the range of quality child care to be between $1,200 to $4,100 per child per year. The Children's Bureau figures put the average cost of "desirable" care at $2,300-2,400 per child per year. See also Mary Rowe's testimony before the Senate Finance Committee in Child Care Bulletin No. 7, Subject: "Day Care Survey -1970."

With few exceptions, even formal day care operations are small and local; data is available only about day care centers; little is known about the care or cost of care provided in day care homes. Non-profit centers generally offer more comprehensive services than do the for-profit centers, and known costs reflect this; but again, little is known about quality. At present, the quality of care is controlled by licensing, a method that is relatively ineffective because of varying standards and because of the fact that most children are cared for in unlicensed programs to which licensing is not intended to apply.

For more definition of the role of licensing, see Child Care Bulletin No. 4, Subject: "A Survey of State Day Care Licensing Requirements (Conserco).

Should the Federal Government Provide More Day Care Services?

Not all the potential federal objectives are attainable with an increase in its involvement in day care. A major conclusion of this study is that day care alone cannot be expected to reduce current welfare costs, a large number of the employable welfare recipients are already working, especially those with school-age children. Providing even the least expensive adequate form of day care for employed welfare recipients would increase federal expenditures above savings in welfare payments, unless free care is limited to newly working welfare mothers only and is provided at less than $600. The provision of day care to all families whose income of this group, especially for "near-poor" families. Estimated increases in earnings are:

- for welfare-poor, $128 million per year;
- for working-poor, $149 million per year;
- for near-poor, $1,147 million per year.

Increased day care services provided free for the poor, and on a sliding scale for those who are not poor, will increase the numbers of women who are in training or are looking for employment, but the actual numbers of welfare-poor, working-poor, and near-poor women who will actually find jobs would be determined largely by other factors. An increase in the choice of child care arrangements would satisfy the desires of many working women for whom present arrangements are unsatisfactory.

There is no conclusive evidence that "adequate" care provided at the estimated nimimum cost of $400 per year would be "harmful" to the children who receive it, but this is primarily due to the fact that there is little conclusive, objective information about the effects -- beneficial or harmful -- of any form of day care or child development. Research into this question is essential to any policy decision regarding the adequacy of various cost-levels of care, and such research is strongly recommended.

Should Child Development Services Be Provided in Federally Supported Day Care Arrangements?

If one purpose of federal involvement in day care is to enhance the opportunities for development of disadvantaged children, then some form of federally sponsored "child development" program will have to be designed and implemented. Although little is known about the relative benefits (or even the specific definitions) of child development services, much is known about the effects of poverty-related deprivation. Day care is only one of a variety of potential modes of delivering child development services to poor children. Almost no evaluation has been conducted on the effectiveness of child development services provided in a day care setting. What evidence does exist -- and this is only for educational services -- is that such services are only marginally effective and of limited duration (three years). Other methods of providing child development services -- such as parent education, home programs, and television -- must be experimented with. We recommend that the federal government not implement a national child development program, especially one based on a day care setting, until alternative delivery systems for such services have been evaluated.

If the federal government decides to support primarily custodial day care services, it is necessary to evaluate the extent to which custodial care is an adequate substitute for care by the mother. There is no time in a child's life when he or she is not developing; even custodial care is a "child development" program. Thre is little reliable information about children's development as it is affected by day care; there are, however, many indications that the attitudes and behavior of those who care for children do have significant effects on the children's development. We recommend strongly that the question of the most beneficial characteristics of caretakers and the relationship between these characteristics and such factors are caretakers' training and education, caretakers' salary levels, and the over-all cost per child for care be carefully researched.

We recommend that Congress establish a substantial program of research, demonstration, and evaluation in the areas of child care and child development. We further recommend that this office be required to submit to the Secretary (HEW), the Secretary (DoL), the President, and the Congress, on or before June 30, 1974, a report of its findings and recommendations regarding federal policy and programs in child development in and outside of day care settings. One basic intent of this recommendation is to have available for the Executive branch and Congress adequate data on child development prior to enactment of a major program in this area.

An Analysis of Alternative Federal Delivery-System Strategies for Further Involvement in the Day Care Industry

If the government decides to increase its support to the provision of day care service, the government has two distinct alternatives to consider in deciding the basic delivery system by which day care services might be provided. The services can be designed, regulated, funded, and provided by a central agency; or the service can be provided through a free market industry, and decisions about the type of care provided and the responsibility for regulation would be made by consumers, with only minimal central regulation.

We recommend that federal involvement in day care be through a market approach utilizing vouchers to place purchasing power for day care services in the control of eligible parents. We further recommend that a program of key resources (planning, technical assistance, start-up costs, facilities, training, and so on) be implemented to help the market meet new demand without artificially raising prices and to ensure entry into the day care marekt of a variety of providers -- some of which may not otherwise be able to enter, due to start-up cost, lack of technical knowledge, and so on; and to ensure an adequate supply of day care in areas with special needs or problems.

A market model allows for the maximum freedom of choice by parents in selecting arrangements for their children, and also enables the day care industry to evolve according to the needs of the children and parents it serves. A centrally planned system could not, with the current lack of reliable information about day care, be designed to meet all existing and evolving needs. A market model will tend to provide care at a lower cost than a centrally administered system; each provider would be forced to attract consumers and would have to constantly develop better, more desirable, and efficient care to meet competition. A market model allows control by federal agencies, but major responsibility for regulation would rest with parents.

The market model, of course, could not be relied upon exclusively to meet all needs. In certain locations, under certain economic conditions, and for certain population groups, inequities may occur. For these reasons, they key resources program is necessary. This would place the responsibility for the development of essential resources -- but not operating money -- in the hands of community organizations. Since the development of key resources will only be necessary in instances of local need, particular and representative knowledge of that need will be necessary for efficiency, responsiveness, and effectively rapid evaluation.

Implementation

All recommendations in this report must be considered in terms of specific legislative action. The final chapter of the report presents guidelines for legislation that, if enacted would bring into being the program we recommend. This program includes specifically;

1. voucher system for purchasing power for day care services accompanied by a key resource program, and
2. a national research program in child development.

The chapter also presents guidelines for the modification of the pending comprehensive child development legislation and the pending day care provisions of the proposed Social Security Act Amendments of 1971 that would bring the pieces of legislation more in line with our recommended market model and research program.

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It must be remembered that we are neutral on the policy decision regarding increased federal involvement in day care and the level of that involvement. The expected impacts have been presented for policy makers to consider. We do recommend that, if the decision is made to increase federal involvement, it be done through a voucher and key-resource program. We also recommend that the federal government refrain from implementing a new national child development program, especially one based on a day-care-center delivery system, until services have been proven effective, practical methods of delivery are developed, and the effectiveness and efficiency of alternative delivery systems for child development services have been evaluated. For this purpose, we recommend a national program of research, demonstration, and evaluation.

According to Dr. Edith Grotberg, "... programmatic concerns are often too pressing in terms of national needs to wait for research findings." See Child Care Bulletin No. 1, Subject: "Day Care: Resources for Decisions" (OEO).

AN ANALYSIS OF ALTERNATIVE FEDERAL DELIVERY-SYSTEM STRATEGIES FOR FURTHER INVOLVEMENT IN THE DAY CARE INDUSTRY

If the federal government makes a policy decision to significantly increase its level of support of day care services, the immediate question it must answer is what will be the form of this involvement. The extent to which federal program objectives will be achieved will depend upon the effectiveness of the delivery system chosen to support day care services. This chapter analyzes alternative delivery systems and suggests component elements that a proposed delivery system should contain. This chapter also examines the potential effect of the delivery systems proposed by major pieces of day care legislation. The nature of the current industry provides a frame of reference for these analyses.

For a discussion of delivery systems and their impact, see Child Care Bulletin No. 2, Subject: "Feasibility Report and Design of An Impact Study of Day Care" (Center for the Study of Public Policy).

An Analysis of the Existing Industry: A Context for Decision-Making about Federal Involvement in Day Care

The federal government operates within the current industry in two distinct manners. Through AFDC and a variety of other federally supported programs, money flows into the open-market day care system in the same manner as consumer, out-of-pocket money. On the other hand, the federal government has developed a number of highly structured. community-agency planned and based comprehensive programs – typified by Head Start, Model Cities day care centers, and other centrally planned community operated models.

In effect, two divisions within the day care industry have thus been created by the magnitude of the influence of federal money. Much can be learned from the experience of both of these approaches. This chapter examines the experience, tendencies, characteristics, and the theoretical advantages and disadvantages of both the market model and the centrally planned model as applied to the day care industry.

The Magnitude of the Existing Industry

Day Care is free of charge in about 72% of all cases; the remaining 28% of day care

constitutes a $1.4 billion industry, including all public and consumer out-of-pocket money contributed to the industry. Thus, if all day care were to be paid for at the cost that 28% of the current services now bring, day care would become a 4% billion industry, an amount greater than the current AFDC payments program. The individual cost of existing paid day care is so low, mostly less than $10 per week, that it is difficult to imagine any direction for prices to go except up. Further, if federal day care involvement were extended to the point where the federal government assumed full responsibility for ownership and provision of day care to all currently working mothers, the costs would be staggering: an estimated $19 billion for capital costs and $14 billion for operating costs (see note 5 in "Notes: Chapter Two"). Clearly, the current industry is heavily subsidized by private and individual resources, and their continual use is the only means of keeping program costs within the bounds of feasibility for a program of national scope.

The majority of the existing day care industry is composed of private providers, but the bulk of federal support is channeled to not-for-profit providers.

In addition, the growth of the industry has been rapid in recent years and available evidence indicates a likelihood of continued growth. Therefore, in any consideration of federal priorities, of which day care might well be one, the sheer bulk of the industry justifies extreme caution in any federal effort even approximating a takeover or nationalization of day care. Such an undertaking might be compared to the establishment, from next to nothing, of a program equivalent to the existing elementary education system.

Characteristics of the Existing Industry

One way to describe the existing day care industry is to note the characteristics of current parental choices and preferences as revealed in the actual options selected in the currently relatively uncontrolled market. Although only limited information is available on parents' preferences, we do know that the existing day care takes place in three alternative settings: the child's own home, someone else's home, or a day care center. Only 15% of all work-related day care takes place in a formal setting, and even the majority of that is provided in family day care homes or other non-center arrangements. The bulk of all day care, thus, takes place in extremely informal settings about which little is known.

Some evidence does exist describing parental choices and preferences about their day care arrangements. No one form of day care is preferred by even half of working mothers, but the form most preferred is in-home care (about 45% preferring this form of care). Not surprisingly, inexpensive, convenient day care is preferred. Interestingly, however, much center care is not appreciably more expensive than other paid arrangements.

Perhaps the most significant preference -- and possibly the most significant single feature of adequate day care -- is the warmth and concern of the caretaker. This fact seems to be strong evidence favoring the existing diversified and informal system, in light of the virtually total lack of evidence regarding the value of services, or the correct mix of inputs. This fact also serves as an endorsement of the advisability of maximum parental choice, as is discussed in this chapter.

Other factors favoring the existing industry include at least the following: First, since so little is known regarding the value and effect of various services provided in day care settings, standardization seems inappropriate, if that would ever be a desirable goal. Rather, diversity appears to have emerged naturally and serves to meet the varying needs and desires for day care arrangements. Second, most mothers indicate satisfaction with their present day care arrangements, with the proviso that if more options were available some shifts would take

place, and with the provision that the lack of purchasing power and information precludes certain options, particularly for low-income families.

Past Experience in Federally Supported Day Care

An interesting contrast develops as we compare the existing industry, with its apparent advantages of low cost, convenience, diversity, satisfaction to parents, and so on, with the typical experience in day care when the federal government has taken a substantial role at the level of controlling the operation and provision of the services themselves. The basic features of federally supported day care in the past may be summarized as follows:

- Almost all agencies choose to operate their own programs and to provide comprehensive center care; only in a relative few instances were contracts used or were family day care homes involved.
- The vast bulk of federal investment is in day care centers.
- Over 98% of the investment in centers is for non-proprietary day care.
- Programs are generally high cost and comprehensive in nature.
- Programs are usually selective; participating children receive substantial services and nonparticipating children receive none.
- Little evaluation or other study has been accomplished to determine the value of various services offered in the day care setting.
- Standards are set and adhered to that other components of the day care industry, lacking substantial federal support, cannot meet.
- The extent of services is generally above the average parental desires as reflected in their free choices in the remainder of the industry.
- Professionals and public or quasi-public agencies are usually characterized by the fear of liability and the desire for accountability, resulting in rigid and highly structured or formalized programs and procedures.

If the federal government chooses to further involve itself in the provision of day care in the manner it has in the past, when federal involvement has been substantial and formal at the operational level, every indicator suggests that the day care provided would substantially conform to the characteristics noted above. It can further be argued that in spite of any attempt to legislate or regulate structures in other forms, federal involvement at the local operational and control level will necessarily tend toward certain models, due to such virtually unchangeable characteristics as:

- the fear of liability demonstrated by many public agencies and the responses of those agencies to demands for high accountability;
- the rigidity or inflexibility of public programs following their initial establishment;
- the tendency among public and often professional agencies towards centralization, standardization, or lack of diversity.

Analysis of Essential Elements of a Federally Supported Day Care Delivery System

Maximum Parental Choice

This characteristic would ensure diversity, as apparently is desired, and as appears appropirate in an area where no ideal system is known. Indeed, the value of most components of day care remains substantially unknown. Presumably development and experimentation with new and existing ideas will likewise be encouraged. Parent choice can be maximized through the provision of purchasing power where needed. Parental satisfaction with services provided can likewise best be assured by allowing the greatest possible freedom of choice.

Perhaps more important, parental choice constitutes the best known means of quality control in day care. Again, a key fact is the absence of knowledge regarding any ideal day care programs or components. When such features as the warmth and caring of the provider are suspected to be the key elements of adequate day care, no better selection system appears than parental choice -- given the current state of knowledge. Furthermore, historically, licensing and the enforcement of standards have been virtually impossible in many day care settings. Professional standards have also tended to be uncessarily high in contrast to the known needs of children and the wants and desires of parents.

Parental desire in contrast to preferences of professionals is also relevant to cost. When WIN (or AFDC) recipients arranged for their own day care, the care averaged $315 per child. When the Welfare department arranged care, cost averaged $1,140 per child (Child Care Data, 1971, p. 12).

Flexibility and Adaptability

Flexibility and adaptability are obviously required to ensure the diversity and response to parental choice discussed above. Flexibility and adaptability in the delivery system are also required to take into account future trends and future needs.

If any characteristic of the day care industry is obvious, it is that the whole industry is evolving. Among other trends that may affect the provision of services in the future are such things as the increase in the number of women in the labor force, the emphasis on "workfare" and public-employment programs, and expanding knowledge in the area of useful child development services.

The flexibility must be sufficient to allow outmoded facilities and programs to either adapt or be phased out. Public-agency or bureaucratically operated programs are not noted for flexibility, particularly not to the extent of allowing institutions or programs to fail when outdated or no longer demanded. Unless the delivery system for day care has the element of substantial flexibility, this program may well follow the course of other programs that were established prior to the availability of sufficient knowledge and later proved themselves unresponsive to changes in knowledge and in the circumstances of society.

Ease of Transition

As is discussed above, the existing day care industry is massive. Unless the federal policy is to supplement and build upon this existing industry, the cost of a large scale day care program, among other staggering implementation problems, will be virtually prohibitive. On the other side of the issue, the effective federal takeover or nationalization of day care services would eliminate this same massive industry currently functioning in and affecting the national economy. Since the bulk of the current industry is proprietary care, ease of

transition as well as maximum use of resources would indicate that further federal involvement should accept proprietary providers.

The existence of the industry does not necessarily mean that it is adequate, where operating, nor that it is complete. Within the existing industry, substantial roles appear to exist for federal supplement of the equality of opportunity for day care services through the provision of purchasing power on an equitable basis and through the stimulation, development, and equalization of needed resources for the provision of adequate child care in all areas and under all conditions.

An Industry for the Poor

Most existing and proposed day care programs are primarily aimed at low-income population groups. Our conclusions and recommendations concern the provision of day care services of the poor. Federal involvement in day care can be designed to serve the poor in two regards:

1. the provision of day care services to poor people in need of services; and
2. the provision of services by poor people who can receive income through such employment.

This latter goal appears possible and should be emphasized in any federally supported day care program. The effect of emphasizing the use of poor people as providers of day care services would be to channel back to the poor community some or all of 60% to 80% of the money now being spent by day care programs for personnel. Also, additional amounts used for expenses for remodeling, equipment, and so on, could contribute to the betterment of residences of the poor providers. The only other option is to have these same funds diverted to business interests in the middle-and upper-class brackets.

The amounts of money thus returned to the community if the form of increase could run as much as $1.2 billion in the first year of operations under the budgets proposed in the comprehensive child care bills, and one half that amount under the H.R. 1 welfare package. These theoretical maximums may not be approached, but substantial sums might still be so diverted.

A key element in encouraging poor people to act as providers of day care is the structuring of a program so that employment opportunities will exist for this population group. In day care a great deal of this structuring already exists. The industry is very informal. Virtually no technical or other skills beyond those possessed by the average parent are required to enter the industry. Start-up costs for concerns such as family care homes are very small in most cases. No significant barriers appear that would hinder entry into this industry by economically disadvantaged persons.

It would seem a safe assumption that the majority of these informal providers are relatives, neighbors, and such who are likewise poor. If current patterns in the informal day care industry continue, the program could not only make day care services more adequately and equitably available to the poor but could, as we have said, also channel the payments for day care services back into the poor community.

Another key to the realization of this goal is the placement of adequate purchasing power in the hands of the poor. Obviously, without the provision of adequate purchasing power, no increased program or industry will develop. If purchasing power is provided to parents, and they are allowed to continue with their current patterns of behavior, these

events in all probability will occur. If, on the other hand, unreasonable constraints are placed on parental choice, or if the decision-making authority is taken away from individual parents, the poor could conceivably be excluded from participation as providers in the industry. This danger exists particularly if centralization, standardization, professionalization, and complex administration are encouraged.

At the policy level and at the administrative level, all reasonable efforts should be undertaken to encourage the involvement of the poor community in the provision of day care services. The channeling back to the poor community in the provision of day care services. The channeling back to the poor community of the bulk of what will prove to be a $1 billion program will certainly provide some relief to the economically disadvantaged, as well as to the high cost of the existing welfare program.

An Analysis of Alternative Theoretical and Proposed Day Care Delivery-System Models

Most national child care proposals under consideration by the Congress include provisions for systems of delivering expanded services. The proposed delivery systems, of course, would be imposed upon the existing patterns of delivery child care. The proposed as well as the existing delivery systems represent combinations of elements of two possible basic models: a market model and a centrally planned model.

These models do not exist in pure form in practice, but represent "ideal" reference points for analysis. More specifically, our recommended delivery system, a modified market model, relies heavily upon consumer choice and product differentiation as a basis for competition -- and not on price alone, which is the basic variable in the theoretical market model.

Any system that provides goods and service must include a mechanism by which resources are allocated. Resource allocation, in turn, depends on what goods and services are produced, how they are produced, and to whom they are distributed. In other words, production, efficiency, and distribution issues are all involved in the resource allocation question. The market model and the centrally planned model can be viewed as extremes on a continuum that represents the degree of governmental intervention in the system. At one extreme, government intervention is entirely absent, and the market mechanism is free to determine the allocation, production, efficiency, and distribution outcomes. At the other extreme, government intervention is total; all decisions affecting allocation and soon, are made by fiat.

The models discussed in this section are less extreme versions of these two types. The market model allows for some regulation to facilitate the workings of the market and to assure that all child care produced is of at least a certain minimum quality (for example, certain health and safety standards must be met). At the same time, the centrally planned model allows for a certain malleability in the fiat system by requiring services (elected consumer representatives on a local governing board is one example). We are using our models, therefore, to make the distinction between what Rudolf Klein has called the "market economy" model and the "political economy" model (Klein, 1971, p. 112).

The emphasis in this analysis will be upon our recommended choice of a primarily competitive market model. Additionally, however, the problems of such a system are discussed and the pros and cons of the central planning model are presented.

The Market Model

Characteristics and Advantages of the Market Model

The key feature of a market mechanism is that the price system is allowed to carry out the basic economic functions mentioned above. Consumers select from the goods and services available to them those that best meet their needs, given the constraint imposed by the amount of their incomes. As shortages or surpluses develop, prices adjust so that the market is cleared. At the same time, prices perform a more vital function: they serve as resource-allocation signals. Price combined with quantity purchases determines revenue; revenue minus cost yields profit. Consumers' choices and the response of prices thus determine the profitability of various activities. Provided that barriers to entry are few, resources tend to flow into high-profit activities and out of low-profit or low-producing activities. If costs accurately reflect the value of alternative uses to which resources can be put, then profitability is a good indicator of those economic activities that consumers most want performed, and the resulting flow of resources is desirable.

The market mechanism we outline here does generate consumer sovereignty: the demands of the consumers determine the allocation of resources. The market mechanism also allows for as much diversity as consumers desire -- provided that desire is translated into effective demand for goods that are profitable to produce. Also, as long as resources can flow freely into and out of various economic activities, and if producers strive to stay in business and to maximize profits, the competition generated between producers by the market mechanism will result in efficient production. The market model thus appears to deal admirably with the issues of production, distribution, efficiency, and allocation.

"Feasibility Report and Design of An Impact Study of Day Care" uses $2,000 per child-year as the average cost of good child care -- about $40 per week. The Report contends that, although parents may desire quality child care, they may not be able to secure it because it is too expensive and unprofitable to produce. Hence, the market model may not generate as much diversity as consumers desire. See Child Care Bulletin No. 2.

The diversity allowed by the market model could be described as a part of a larger attribute of flexibility, larger because flexibility in this model exists for longitudinal change as well as current diversity. At present, day care is an actively provided commodity in this country offered primarily through occasional or informal arrangements, and at a relatively low cost. The next major step in the evolution of the day care industry in this country could well involve its use to help stimulate increased employment among AFDC mothers. This type of service to the effective must emphasize the rapid development of capacity that meets the convenience of the AFDC mother at as low a cost as possible, consistent with adequate quality for the care of children. As the industry develops over the years, it is probable that it will serve more and more women of all economic strata who will enter the labor force. For middle- and upper-income families, day care will be purchased and supplied in response to free market sources.

The other significant development that is now taking place is the advancing knowledge regarding child development services. As the services are proven feasible and valuable, new delivery systems within or beyond day care settings may prove necessary. The development and delivery of truly effective child development services on a national basis may not be

many years off. The point, then, is that the flexibility of the market model is highly desirable for the evolving day care and child development industry. The flexibility must allow some providers to fail when no longer needed or in demand. The retention of providers, facilities, and such, when not in demand would inhibit progress and the evolution of the delivery system of new and better services.

Problems with the Market Model: The Role of Government

The market model rests on certain key assumptions, which may not hold in a day care area. Also, the model neglects at least one important issue of particular relevance to a program directed at the poor and near poor populations. The assumptions of concern are:

1. Consumers must have adequate information on which to base their decisions; but consumers, especially the poor, may be unable to discriminate between good and bad day care. Government intervention in this area could take the form of improved information and education on day care, as well as periodic surveys of the consumers of services from different providers to assess their level of satisfaction with each particular provider. Such surveys could help potential consumers in making their decisions; parents would thereby learn from the experiences of other parents.

2. Barriers to entry in the market model are few. Entering the day care industry is, as yet, a relatively easy process. However, for comprehensive service day care centers significant capital costs are involved. Government intervention can increase the difficulties of entering the industry by increasing the strictness of its regulations. If barriers to entry are to be kept low, then standards must be reasonable and directly related to quality. Certain standards, of course, are necessary to ensure the health and safety of the children.

3. Latent demand may be unrecognized and unmet. It is difficult for consumers to purchase goods that do not exist. A profitable opportunity may be present but overlooked because no potential provider recognizes it. For example, a day care center might be a profitable undertaking in a certain neighborhood, but this will never be known unless someone takes the risk of establishing a center there. Government action in this area might include providing incentives for risk-taking, or carrying out surveys intended to measure the latent demand for different types of day care in specific, apparently high-risk localities.

4. The important issue that the market model neglects is income distribution. The market model, if the above assumptions hold, will allocate resources efficiently given an adequate prevailing income distribution. Specifically, consumers will purchase the amount and type of day care that best meets their needs (i.e., which maximuzes their utility), given their income level. However, one of the fundamental tenets underlying proposed day care programs is that the amount of child care that persons with low incomes can purchase is sufficient. The policy objective is to increase the amount of child care obtainable by the low-income population. This requires some form of government subsidization of day care expenditures for the poor.

The financial mechanisms by which the federal government would subsidize the purchasing power of parents could include a variety of types; but under the market model they must ensure that the choice of service remains with the parent, even if the actual purchasing power or money does not. Available mechanisms that the federal government might use include tax deductions or tax credits, income disregard, vouchers, or direct vendor payments. These mechanisms alter the day care prices faced by the consumer in different ways and will thus lead to different resource-allocation outcomes. For this reason, the

alternative mechanisms must be carefully compared. However, subsidization of day care must be mad in a way that is consistent with consumer sovereignty, and essential element of the market model.

The Centrally Planned Models

Characteristics of the Centrally Planned Model

The essence of the centrally planned model is that all functions and resources are vested in one agency. This agency, thus, has the power to control, monitor, approve, create, or remove all day care services in the region. Each region (either a state or smaller region) would be governed by an agency. Most proponents of this type of day care industry envision each agency governed by at least some customers or parents who are using the day care services provided.

Interested groups or organizations who wished to provide federally supported day care services in the given area would first have to apply for approval from the central planning agency. It is possible that the agency could act so as to set up competing providers in a given area and then let consumers response determine which providers will succeed and which will fail. In other words, a central agency model is not necessarily incompatible with a market model, in that it could allow that model to operate. However, as noted earlier in this presentation, we have deliberately developed two extreme and clearly distinct cases in order to best illustrate the issues involved.

There is no clear analogy that would represent what a fully operating central planning day care industry would look like. In general, it may be envisioned as a centrally planned system governed by either an elected or appointed board, or a combination. In an embryonic way, Head Start approximates this industry form.

Financing a centrally planned day care industry would consist of direct financing from the federal government to local or regional planning agencies. These agencies would, in turn, either directly operate programs or contract for the provision of services with qualified organizations.

Parents or individual consumers would not usually have direct purchasing power but, if eligible, would receive child care services if they chose to enroll their child in a program operated or contracted by the central planning agency.

Advantages of the Centrally Planned Model

A number of advantages are usually cited for the centrally planned form of delivery system. The most important are:

1. Such a system would allow the central agency to deal directly with perceived deficiencies in purchasing power and unmet demand. If the agency felt that a certain group of people in a certain area "deserves" more child care but was not receiving it, the agency could funnel resources into that area and make the chosen group eligible for the resulting services. Also, the agency could act to prevent unnecessary duplication of facilities and thereby, presumably, promote efficiency.

2. Centralized planning and control does not rely on consumers or parents to make choices they are unable or unprepared to make. Many professionals feel that the consumers who need good day care services the most are the least likely to choose them. No generalization can be made concerning the ability of low-income parents to serve, either

directly or indirectly, their children's best interests; however, this population has generally less education and, perhaps, sophistication in the mechanics of obtaining services. Furthermore, all citizens in almost all situations can benefit from both collective and expert wisdom in making decisions.

3. Consumer "control" or representation in the agency would ensure that the kind of services consumers desire would be provided. It is argued that the kind of decisions made by a parent-controlled agency would reflect the collective desires and wisdom of the group.

Problems with the Centrally Planned Model

While the centrally planned model may have certain advantages over the market model, it also creates a number of problems. The basic difference between the two approaches is that the price mechanism is replaced by the political process as the allocator of resources in the centrally planned model. The central agency must know and apply the appropriate criteria for resource allocation. Somehow, "needs" must be determined; services to be provided must be precisely defined and directed to the areas of greatest need; the prices to be paid to providers must be determined, usually on the basis of negotiations that attempt to establish a "fair price"; and the eligible population for each type of service must be defined. When shortages or surpluses develop, there is no automatic means to adjust the system; political pressure would have to take its place. Because competition is eliminated, the pressure for efficiency is also seriously reduced.

The outcome of all these deficiencies can be a system that mis-allocates resources, uses them inefficiently, and distributes the resulting products in an arbitrary -- and therefore probably inequitable -- manner. Some of the major problems are:

1. The potential exists for the central planning agency to be dominated by consumers, professionals, governmental officials, or some coalition of these individuals who can force their preferences in day care services on all consumers in the area. Additionally, conflicts or stalemates within the agency could hinder decision-making and, thereby, the availability of quality day care services.

2. Based upon the decisions of one board, day care services will tend to be uniform; innovation, variations and diversity of services will be minimal. The uniformity of school programs run by over 5,000 independent school districts evidence this potential problem.

3. Centralized planning will require extensive administrative machinery and staff, which will raise costs. In addition, monopolistic power is likely to raise costs. (Theoretically, monopolies or central planning agencies can reduce costs through better planning and allocation of resources. In actual practice this rarely if ever happens; costs usually increase.)

4. The day care industry may be more subject to political influences, since most proposed central planning agencies have several politically appointed members.

5. Central planning agencies tend to operate all their own programs (like training) and thus tend to be inefficient, since other organizations may be better equipped to carry out such functions. Central planning agencies tend to have little faith in the capability of other agencies; they tend to believe "we can do it better ourselves," without realizing the complexities involved. Also, these agencies have little incentive to economize or to operate efficiently, since they are not rewarded for doing so.

6. Central planning models tend to become inflexible and rigid once established since existing programs, facilities, and so on, tend to be retained; thus they consume resources

that could be used to develop alternatives to meet changing demand. Failures and phase-outs will not be allowed to occur naturally.

An Analysis of Existing and Pending Federal Strategies and Actions

Certain major and even relatively minor policy decisions by the federal government with regard to its strategies and actions in day care can and will be a powerful influence in shaping the nature and type of day care industry that will develop. As important in determining the nature of the day care industry as the amount of money the federal government decides to invest or spend on day care will be the way in which the money will be spent.

The federal government has three basic decision areas with regard to federal involvement in day care:

1. purchasing power (operating costs),
2. key resources (facilities, training, and equipment), and,
3. performance (quality) control or regulation.

Within each of the first two areas the federal government must make two decisions:

1. how much money it will invest in each area; and
2. who will have control of the expenditures.

(In the case of regulation the decisions are, what will be regulated and who will have authority to enforce regulations.)

The essential fact influencing [illegible]wing analysis is that policy decisions and actions that tend to place purchasing and [illegible]cision-making power in the hands of individual consumers will shape the industry toward a market model. Policy decisions and actions that place purchasing power and decision-making authority in a single agency will tend to shape the industry toward a centrally planned and controlled industry.

Actions and Strategies Favoring the Competitive Market Model

The following are examples of legislative actions or policy decision that would significantly help shape the industry toward a market industry.

1. Actions to provide increased consumer demand through the provision of purchasing power:

- income disregards for the cost of day care services (AFDC program, Opportunities for Families Program, H.R.1);
- vendor payments for day care services (AFDC program);
- vouchers for day care services (such as Food Stamps);
- opportunity for Families Program and Family Assistance Plan (H.R.1), which provides money for day care for public assistance recipients and emphasizes parental choice; and

- increased tax deductions for day care services (the Revenue Act of 1971 and prior legislation).

- tax credits for day care services (similar to tax credits for tuition in non-public schools).

2. Actions to stimulate creation of new programs through the investment of public funds for start-up costs, such as construction, renovation, equipment, and technical assistance. Most of the major proposed day care legislation provides for key resources support. Obviously the creation of facilities and other key resources are of benefit under either delivery system model. Some examples of this kind of assistance include:

- The Opportunities for Families Program and Family Assistance Plan (H.R. 1), which provides specific money for construction, training, and leaves to the discretion of the Secretaries of HEW and Labor how to spend a large pool of funds, at least a portion of which could be spent for the creation of key resources;

- The Child Care Corporation concept introduced by Senator Long (but not reintroduced into this session of Congress as of this date), which has as a primary intent the stimulation of key resources through grants, loans, mortgage assistance, and other financing devices;

- These programs tend to be oriented towards a market model in the means they have of making funds available both for operations and for development (H.R. 1 does contain provision for community action agencies to control the operation and delivery of services but does not stress this feature.)

- The comprehensive child development appraoches, such as the Nelson-Mondale approach (S.3193) and the Senator Javits approach (S.3228), which provide the substantial monies for key resource development in the forms of either direct development by community agencies or by grants, loans, contracts, and other appropriate financing mechanisms to day care providers and developers.

- These programs are geared entirely to the central planning model for the provision of services and the development of key resources, but are not incompatible with a competitive market model in their basic provision of the support for key resource development.

3. Actions to stimulate competition by investing or permitting more than one type of sponsor or program. Some of the major proposed legislation have permitted support to a diversity of sponsors, including both public and private, profit and nonprofit, day care and child development:

- H.R. 1 and the corporation idea permit such diversity, in that no centralized authority is required except at the federal level;

- the comprehensive child development approaches are less likely to promote such

diversity since all providers must operate at the sufferance of local central planning authorities with fixed, and presumably limited, goals and approaches (assuming the providers wish to be a part of the federally subsidized industry).

4. Actions to simplify regulations and permit a diversity of programs to operate:

- the HEW national conference on standards to simplify in general and relax standards for facilities and personnel;
- federal authority to override state laws inhibiting the day care industry;
- technical assistance to states in the development of standards.

Actions and Strategies Hindering the Competitive Market Model

The following legislative actions and strategies will tend to severely hinder the development of a market-oriented system providing for diversity of services and parental choice.

1. Actions that would create central planning authorities and day care.

- all of the Comprehensive Child Development bills, which require the use of the central planning authority and prime sponsorship approach;
- the Head Start Program (Economic Opportunity Act of 1954, as amended, Section 222(a) (1), which operated only through a central planning agency, but not necessarily with substantial governmental control or sponsorship.

2. Actions that would limit federal financial support to only selected public and private nonprofit agencies (mainly excluding the private-for-profit providers):

- the comprehensive child development bills exclude from federal financial support private for-profit organizations, reducing the innovations and technology that may be brought into the industry and precluding firms from offering services that may not otherwise be provided.

3. Action that impose ideal or "optimum" standards or limit the types of care provided.

- all of the pending legislative proposals either contain standards or direct that such standard be developed soon after enactment. No direction regarding the severity or freedom of such standard are generally imposed. Care must be exercised to insure that standards will allow the operation of a variety of types of day care providers under any delivery system.
- the 1968 Interagency Day Care Standards are a good example of a failure of impractical guidelines to be enforced.

4. Actions that could impose restrictions on what day care services a parent can utilize with his purchasing power.

- The Comprehensive Child Development approach has the potential to restrict the types of day care services available. Obviously, the parent can only make use of the services that the central planning agency either operates or authorizes.

The Day Care/Child Development Workshop's Statement of Principles (cited above) contends that for a central planning agency to execute an effective range of day care programs, the agency will not only have to rely upon child care professionals and research specialists; but, more importantly, it will have to draw from "the accumulated wisdom and experience that is not the exclusive possession of any profession, but is shared by parents and people in general as they have participated in the process of living with and raising the next generation."

- Vendor payments under Title IV-A of the Social Security Act have the potential to restrict parental choice in the event any conditions are imposed regarding authorized vendors.

- Any licensing or standards that are so restrictive as to prohibit certain providers that parents otherwise might use, substitutes the standards of others for parental choice.

Actions and Strategies Favoring a Centralized Planning Industry Model

In contrast to legislative actions that would help promote a market oriented industry, numerous proposed legislative actions that significantly favor the development of a centrally planned industry. The following are examples:

1. Actions that would create central planning agencies with decision-making power:

- All of the Comprehensive Child Development bills require the use of the central planning authority and prime-sponsorship approach.

- The Head Start Program [Economic Opportunity Act of 1954, as amended, Section 222(a) (1)] operated only through a central planning agency.

2. Actions that provide purchasing power (operating money) and authority only to central planning agencies to operate or purchase day care (as approved to providing it to parents):

- the Comprehensive Child Development approach,

- the Head Start approach,

- any community action or parent-controlled requirement.

3. Actions that would limit what services parents could purchase

- The Comprehensive Child Development approach has the potential to restrict the types of day care services provided. Obviously the parent can only make use of the services which the central planning agency either operates or authorizes.

- Vendor payments under Title IV-A of the Social Security Act has the potential to restrict parental choice in the event standards are imposed regarding authorized vendors.

- Any licensing or standards which are so restrictive as to prohibit certain providers which parents otherwise might use, substitutes the standards of others for parental choice.

Conclusions and Recommendations for the Nature of Federal Involvement in the Delivery of Day Care Services

While we remain neutral on the policy decision of whether or not the federal government should increase its involvement in day care services, we definitely recommend that, if the decision is made to increase the level of involvement, that the increased involvement take place through the following programs:

1. a program of vouchers to place purchasing power for day care services under the control of and at the discretion of eligible parents;
2. a program of key-resource development, primarily operating through community development agencies.

The Use of a Voucher System for the Federal Support for the Payment of Day Care Services

The provision of purchasing power to the consumer may be accomplished through a variety of mechanisms -- vouchers, vendor payments, income disregard, tax credits, and tax deductions. Competing arguments suggest the advisability of each. The decision to recommend the use of vouchers is based on three conclusions:

1. Income disregards, tax credits, and tax deductions are regressive in nature and may be taken advantage of only by persons with sufficient income or tax liabilities to make use of these devices:
2. Vendor payments seem often to be associated with related standards or conditions imposed upon eligible vendors and, hence, tend to limit a free-choice system.
3. Of all the available payment mechanisms the voucher imposes the fewest constraints and affords the greatest choice and ease of purchase of services to the consumer.

The specific payment device, however, is not the primary point in this recommendation. The significant recommendation regarding a voucher system is that the market model, as discussed earlier, be followed in federal policy for the actual provision and operation of basic day care services. The evidence presented earlier in this report is relevant to this recommendation in at least the following ways:

1. Little is known regarding what services are needed or what services are best for children; no ideal prototype for day care exists.
2. Parent preferences are diverse and not well known.
3. The majority of welfare mothers now work and pay something for day care services but families would benefit from additional day care purchasing power.

With these considerations in mind, the recommendation to follow the market model for the provision of services appears justified upon the following grounds.

1. A market industry will allow for the maximum freedom of choice by parents in selecting and using day care services, and the maximum variety of types of day care services.
2. A market industry will have the flexibility to allow the day care to develop and will place few barriers in the path of emerging and evolving patterns of day care and child development, while a central planning model will tend to establish and preserve a system.

3. A market industry will tend to produce the required day care services at a lower cost, since each service must attract consumers to stay in business; hence efficiency in the provision of desired services would be rewarded.

4. A market industry will minimize federal involvement in and standardization of the direct operating details of day care services, but it will still allow the federal authority a policy and decision role.

Key Resource Development Primarily Through Community Development Agencies

Key resource development, in this context, means the provision of funds for planning, technical assistance, start-up costs, facilities, staff training, and so on. The recommended key resource development program is an important adjunct to the competitive market model. Many industries have received governmental subsidies and stimulation. The recommendation of this program merely takes into account the reality of the fact that pure market forces do not always operate freely to develop adequate supply to meet demand in an equitable manner. More specifically, supplying vouchers above -- and thus greatly stimulating demand -- will, in the short-run, make the current supply of day care insufficient. The prices charged for services will increase; centers will compete (for example, for directors) and thereby force salaries beyond normal limits. The result will be that the true value of the voucher (at any level) would be considerably reduced.

Hence, a program of key resources is necessary to help the market adjust to the new demand levels, without inflating prices unnecessarily. The logic of this recommendation especially prevails if the attempt is made to increase substantially the demand upon an industry, when past experience indicates that competitive industries have limited ability to respond rapidly to extreme change.

Another important reason for providing a key resource program is to help promote a diversity of services by those who would otherwise be unable to enter the industry. Limiting entry into the day care market to only those organizations or groups who have sufficient capital skill and experience will exclude many community groups or minority organizations from providing services, though parents may want just those types of services the community or minoirty groups might provide.

In the long-run, the recommendation for a key resource development program anticipates that in certain geographical areas, under certain economic conditions, in order to meet the needs of special population groups, and to otherwise ensure adequate provision of day care services, an additional development program is advisable.

A key resource program will facilitate the entry of new providers into the day care market and promote services that would not otherwise be possible and assure adeuate day care in areas of special need. It must be noted, however, that key resource money is for initial entry only. After establishing the services, the provider must be able to attract consumers on the "open market" just as any other provider would.

It must be anticipated that some providers applying for and receiving key resources for intitial start-up will eventually fail. Undoubtedly, some will misjudge the desirability of the service they intend to provide and will not be able to stay in business. Such providers must be allowed to go out of business -- just as will providers who have not received key resource support.

The development of key resources need not be lodged in community development agencies for any inherent reason. Obviously, a federal agency or a state agency could be given the responsibility for developing resources for an emerging day care industry. On

balance, however, this recommendation takes into account a variety of considerations that tend to indicate the policy of establishing a preference for community development agencies, broadly representative of the community, to carry out the function of key resource development. The rationale behind this recommendation includes the following points:

1. Key resource development will take place only under the special circumstances noted above. Knowledge of particular local conditions giving rise to special need is most likely to be present in a group representation of the community involved. It can generally be assumed that the more centralized the authority becomes, the less attuned that authority is likely to be to special and unusual situations occurring at the local level.
2. Key resource development will take place only when normal market operations have failed to provide an adequate supply of day care services. The logical assumption follows that something more than individual buying power is required. The decision to develop a particular type of resource of facility, in most instances, will affect more than a given individual. Collective wisdom and decision-making regarding such development seems appropriate, therefore, by the group representing the collective interests of the population to be served. On the other hand, our earlier comments regarding becoming too centralized and, thereby, making the collective decision unresponsive to local special needs also applies to this point and favors the local community model.
3. Placing key resource development in the hands of a person other than providers and operators of day care services provides an additional check against a provider-dominated industry, possible exploitation of the consumer by the industry, and the development of universally low-quality care in a particular area. This extra safeguard is particularly relevant in the areas of special need in which key resource development would be undertaken.

As noted earlier, the most important element of this recommendation is the establishment of a capacity for the development of key resources. The recommendation for preference to community development agencies in this function is based on a balance of the relevant factors involved, but it not thereby made a necessity of the program. In fact the program contemplates key resource development support through other means, if community groups do not respond to the opportunity. Key resource development is an important adjunct to the market model to ensure against any inadequacies that might arise in that system.

The Impact of Pending Legislation upon the Delivery of Day Care Services

Any of the major legislation regarding day care and child development pending before Congress would significantly increase the demand for day care, the amount of day care offered, and the federal role in day care. Federal involvement at this level undoubtedly, will be the primary source shaping the future of the developing day care industry.

By applying the principles contained in this chapter to the approaches found in pending day care legislation, and by using some of the knowledge of past experience in day care contained in this report, tentative predictions or probabilities concerning the future of the day care industry can be ventured. For example, the various comprehensive child development proposals currently pending contain delivery systems that are virtually central planning model in themselves. The welfare reform measures contained in the Social Security Amendments of 1971 call less conclusively for the central planning model, although

Administration sources have indicated that substantial use of a central planning model for the delivery of day care services is contemplated. The comprehensive child development approaches have the additional philosophy, if not adequate resources at the moment, for the immediate provision of comprehensive child development services primarily in day care settings with emphasis on the example of Head Start.

Presumably, the characteristics of a centrally planned industry, as discussed earlier, can be expected to arise in the event of the passage of one of the comprehensive child development bills. However, with the priorities for economically disadvantaged children and children of working parents, plus the emphasis in the Administration's welfare-reform package on children of working parents, the opportunities for selectivity and comprehensiveness may be reduced in practice. Also, the central planning model under any proposal has the potential -- but in the past not the propensity -- to steer a course different from the provision of highly uniform, centrally located services.

In spite of the priorities contained in the various pending legislation, the central planning agency will be faced with allocation problems.

These possibilities or probabilities appear to apply equally in the event of the passage of the Administration's welfare-reform package, should the administration decide to move to the heavy use of a central planning model for the provision of child care services. Under this legislation, however, the likelihood of a selective, highly developmental service system is virtually eliminated, in terms of both philosophy and limited resources. This legislative program has a greater potential for steering away from the central planning model. To the extent day care under the Social Security Amendments of 1971 manages to avoid central planning, a greater likelihood exists that some of the advantages of the market model, as well as the disadvantages, might be realized.

As indicated earlier, a key adjunct to the operation of the market model is a program for key resource development. This pending legislation may not adquately meet this need; the exact need for added key resources for the day care industry is difficult to predict. Certain funds for construction, research, and such, would be available under this proposed program. However, latent demand may go unmet without sufficient funds or a sufficient system to uncover special needs of special areas and populations. Similarly, the entry into the industry of certain kinds of providers may be effectively prevented unless the necessary start-up costs, loans, and other resource development mechanisms are adequately provided.

These considerations are but a few of the predictions that could be made. Nevertheless, they appear to constitute the major impacts that might occur in the event of the passage of some of the pending legislation. The general tendency toward the central planning model is clearly indicated. The principles enunciated earlier regarding the advantages and disadvantages of this model can be assumed to be likely results. Movement of any of these proposals toward the market model would garner at least some of the advantages of that system.

IMPLEMENTATION

Our recommendations concerning federal expansion in the field of day care are neutral; and we favor, for the present, only research and development in the field of child development. In this report we suggest and discuss the advantages and disadvantages of the alternatives available to the federal government regarding further involvement in day care, but we do not attempt to answer the basic policy questions. Such decisions, whether or not

to launch a new or expanded day care program and what the purposes and objectives of such a program might be, must be made by the federal government.

The recommendations for implementation that we make in this section will be applicable only when the basic policy questions have been decided. We present these recommendations for implementation to complete the potential usefulness of the report should the federal government proceed in the areas of day care and child development programs; our extended discussion is not an indication of a recommend policy decision regarding day care. Our recommendations concerning the implementation of a program of research and development in child development concern only that program; we make no recommendations regarding any other form of federal involvement in child development at this time.

The Objectives of the Recommended Program

The recommendations of the Policy Studies Group have been set forth in substantial detail in the preceding portions of this report. For the purposes of summation and organization, a brief statement of the major proposals of the research is presented here.

The first major proposal is the establishment of a program for the provision of work-related basic child care primarily through the use of a federally administered voucher payment system. The program would be housed in an agency of the Department of Health, Education, and Welfare or the Department of Labor.[1] The program would be designed to serve the children of parents on welfare and the working poor and near poor who are participating in work-training or employment or related activities. A voucher system would be utilized to build a delivery system characterized by two major features: a maximum of parental choice and the maximum development of competitive industry that would involve both profit and not-for-profit providers.

This proposal highlights one of the greatest schisms in governmental day care philosophy: Is the proper focus of day care the individual child or the relief of welfare roles? For more consideration of this issue, see Statement of Principles (cited above) and Child Care Bulletin No. 2, Subject: "Feasibility Report and Design of An Impact Study of Day Care."

The second basic proposal would establish a program for the development of key resources and technical assistance for day care providers. This program would also be housed in the Department of Labor or that of Health, Education, and Welfare[1] and would concern work-related day care. The program would develop such key resources as, for example, facilities and staff, when geographic, social, economic, or other conditions indicate a need for assistance in the development of an adequate system of day care services. In this development phase of the overall system, preference would be given to community groups seeking to provide assistance for the development of the day care industry in under-served areas and for under-served population groups. These community groups or councils could be composed of parents, interested citizens, government officials, and other appropriate parties. It would be mandatory that the group be composed of a majority of parents. The use of such resources, however, would still be up to the voluntary selection of parents through the expenditure of vouchers. In no event would these community groups be involved with the actual provision of day care services, only in the development of resources.

The day care thus provided would be designed to replace all work-related day care

currently provided under, or to be provided through, the AFDC program, the WIN program, the recently enacted Talmadge Amendments to the Social Security Act, the pending Social Security Amendments of 1971, and the pending comprehensive child development bills. Our proposals, however, are not directed at the existing system for the provision of non-work-related day care. (For example, our suggestion that child care services under the AFDC program be repealed does not refer to special day care provided by welfare agencies that are unrelated to work training, employment, and related activities. For another example, under the Social Security Act Amendments of 1971, our recommended program would not change the day care provided through the "Family Assistance Plan" for welfare recipients who would not be required to register or accept training and employment; our proposals would affect only those individuals required by the "Opportunities for Families Program" to register and accept training and employment and those employed near-poor with incomes up to $8,000 per year.)

The third essential recommendation would establish a legislatively mandated Office of Child Development. This office would engage in a substantial program of research, development, and demonstration projects, as well as in experimental and evaluation programs, in a variety of areas of inquiry related to day care and child development. The broad purpose of this research would be to answer the multitude of important questions that must be answered prior to the development, enactment, and implementation of a nationwide comprehensive child development program. This office would appear, logically -- but not necessarily -- to be part (or under the jurisdiction") of the Department of Health, Education, and Welfare.[1]

The program would be substituted for the existing Head Start Program, but with important distinctions: The new program would consider a variety of delivery systems, variations in program content, alternative settings, and methods of child development. The program would attempt to build on the early efforts of Head Start and similar child development programs, but in no way would be obligated to accept the features of those programs.

Legislative Scenarios

The basic legislative strategies can be considered for the eventual enactment and implementation of our Policies Study Group recommendations. The advisability of each of these strategies will have to be evaluated against the political and legislative environment of the given moment.

The first approach would be to seek the introduction and passage of a bill, as yet to be written ... The enactment of such legislation could be sought either prior to the enactment of pending child care legislation or in addition to, or replacement of, any current or future laws.

The second strategy involves the pending Social Security Act Amendments of 1971 (H.R.1). The recommendations ... replace the current work-related child care provisions of H.R.1. We know that a total incorporation of our recommendations may not be feasible or desirable ... Of course, the option exists at any time after the passage of H.R.1 in its current form to enact legislation repealing the work-related child care provisions of that law and replacing them with provisions similar to our recommendations.

The third legislative strategy would be the possible modification of one or more of the comprehensive child development bills pending in Congress. This option presents less flexibility because the proposed comprehensive programs have less in common with our

recommendations. Nevertheless, the proposed modifications and additions would improve the current comprehensive approaches and would adequately incorporate our principal recommendations for a child care and child development industry. In the instance of this strategy, it is more important that modifications be made prior to enactment of the pending legislation; a different course of action from the one proposed here would rapidly be pursued upon passage of one of the comprehensive child development bills.

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